

HARTFORD PUBLIC LIBRARY

Report on Audit of Financial Statements
For the Year Ended
December 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Hartford Public Library	County Van Buren
Audit Date 12/31/04	Opinion Date 2/17/05	Date Accountant Report Submitted to State: 6/30/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

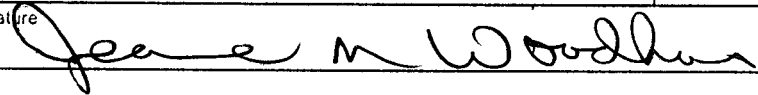
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Cutting & Cutting, P.C.			
Street Address 303 Paw Paw St., Suite 4	City Paw Paw	State MI	ZIP 49079
Accountant Signature 		Date 6-30-05	

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February 17, 2005

INDEPENDENT AUDITOR'S REPORT

To The Hartford Public Library Board
Hartford, Michigan

We have audited the accompanying financial statements of Hartford Public Library as of December 31, 2004 and 2003 and for the years then ended. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in the notes, Hartford Public Library prepares its financial statements on the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles of the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of Hartford Public Library as of December 31, 2004 and 2003, and the revenues it received and expenditures it paid for the years then ended, on the basis of accounting described in the notes.

Cutting & Cutting, P.C.

STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE - CASH BASIS
GENERAL FUND
HARTFORD PUBLIC LIBRARY
December 31

	<u>2004</u>	<u>2003</u>
Assets		
Cash	\$ 195,414	\$ 154,893
Taxes receivable	<u>126,573</u>	<u>117,039</u>
	\$ <u>321,987</u>	\$ <u>271,932</u>
Liabilities and Fund Balance		
Taxes payable	\$ 1,816	\$ 1,700
Deferred tax revenue	<u>126,573</u>	<u>117,039</u>
Total liabilities	128,389	118,739
Fund balance - restricted		610
Fund balance - unrestricted	<u>193,598</u>	<u>152,583</u>
Total fund balance	<u>193,598</u>	<u>153,193</u>
	\$ <u>321,987</u>	\$ <u>271,932</u>

STATEMENT OF CHANGES IN FUND BALANCE - CASH BASIS
GENERAL FUND
HARTFORD PUBLIC LIBRARY
Year ended December 31

	<u>2004</u>	<u>2003</u>
Summary of revenues and expenditures		
Revenues	\$ 191,465	\$ 165,007
Expenditures	<u>151,060</u>	<u>136,258</u>
Excess of revenues over expenditures	40,405	28,749
Other financing sources (uses)		
Transfers to other funds	<u> </u>	<u>(6,071)</u>
Excess of revenues over expenditures and other uses	40,405	22,678
Beginning fund balance	<u>153,193</u>	<u>130,515</u>
Ending fund balance	\$ <u>193,598</u>	\$ <u>153,193</u>

See notes to financial statements.

STATEMENT OF REVENUES AND EXPENDITURES - CASH BASIS - BUDGET AND ACTUAL
GENERAL FUND
HARTFORD PUBLIC LIBRARY
Years ended December 31

	<u>2004</u>		Variance Favorable (Unfavorable)	<u>2003</u>
	<u>Final Budget</u>	<u>Actual</u>		
Revenues				
State aid	\$ 2,337	\$ 7,785	\$ 5,448	\$ 7,360
City of Hartford taxes	43,682	39,507	(4,175)	38,971
Township of Hartford taxes	74,379	71,435	(2,944)	74,645
Van Buren County District Library taxes	2,000	3,419	1,419	3,881
Penal fines	33,000	30,227	(2,773)	35,721
Interest	1,000	1,347	347	1,585
Donations	1,000	3,015	2,015	1,470
Miscellaneous	1,500	2,130	630	1,374
Proceeds from Sale of Property		<u>32,600</u>	<u>32,600</u>	
	\$ <u>158,898</u>	\$ <u>191,465</u>	\$ <u>32,567</u>	\$ <u>165,007</u>
Expenditures				
Salaries	\$ 74,500	\$ 71,416	\$ 3,084	\$ 67,928
Payroll taxes	5,500	5,463	37	5,196
Health insurance	16,000	13,863	2,137	14,510
Supplies	3,400	3,634	(234)	2,523
Professional services	4,700	4,477	223	3,514
Interest expense	986	986		1,485
Library cooperative	1,168	1,799	(631)	1,385
Insurance	5,400	6,372	(972)	5,084
Utilities	6,500	6,203	297	5,290
Repairs & maintenance	8,200	997	7,203	1,771
Miscellaneous	7,300	3,258	4,042	1,980
Cooperative services	1,000	753	247	1,087
Books, magazines and videos	16,000	11,352	4,648	14,277
Equipment/Improvements	5,000	3,419	1,581	7,513
Land purchase	3,214	17,068	(13,854)	2,715
Contingency	<u>530</u>		<u>530</u>	
	<u>159,398</u>	<u>151,060</u>		<u>136,258</u>
Other financing uses				
Transfer to Debt Retirement Fund				<u>6,071</u>
	\$ <u>159,398</u>	\$ <u>151,060</u>	\$ <u>8,338</u>	\$ <u>142,329</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
HARTFORD PUBLIC LIBRARY
December 31, 2004

A. Reporting Entity

The Hartford Public Library is a District Library established by the City of Hartford and Hartford Township in April, 1965 under Act 164 of 1955, State of Michigan Law. The governing board has three members appointed by each of the two municipalities. Library services are provided to residents of the City and Township. Hartford Public Library also provides services to portions of Bangor and Keeler Townships as a result of a contracted arrangement with Van Buren County District Library and Keeler Township.

The reporting entity consists of the Hartford Public Library which is fiscally independent, relying on property taxes and penal fines for support. There are no component units that meet the criteria of GASB No. 14 for inclusion in these financial statements, such as oversight responsibility, fiscal dependency, and whether the financial statements would be misleading without it.

B. Summary of significant accounting policies

The accompanying financial statements and budget information have been prepared using the cash basis of accounting. Revenues are generally recognized when received and expenditures when they are paid.

Fund Accounting

The accounts of the Library are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures.

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Library. It is used to account for all financial resources except those required to be accounted for in another fund.

- C. The Library has not adopted GASB 34 for the year ended December 31, 2004. Consequently Management's Discussion and Analysis, Government Wide Statements, and Infrastructure Reporting are omitted from the financial statements.

D. Property Taxes

The Library property tax is levied on December 1 on the taxable valuation of property located in the Library district as of the preceding December 31 and is due by February 14. Taxes levied by the Library are collected by the City and Township of Hartford and are periodically remitted to the Library.

The 2004 taxable valuation of the Library totaled \$76,597,736 on which 1.6078 mills were levied, raising \$123,154 for operating purposes. The Library's agreement to serve Bangor Township residents provides additional property tax revenues equivalent to 10% of the millage levied by Van Buren District Library on Bangor Township property (approximately \$3,400).

E. Cash and Investments

State statutes authorize the Library to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that maintain an office or branch in Michigan; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase, obligations of the State of

Michigan or any of its political subdivisions that are rated as investment grade by not less than one standard rating service at time of purchase; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Library Board approved a revised investment policy on October 12, 1999 that allows deposit accounts, savings accounts and certificates of deposit.

The Library's deposits and investments are in accordance with statutory authority and the Library's investment policy, and currently consist only of bank deposits. Of the \$195,661 in bank deposits, \$110,383 is covered by FDIC insurance and \$85,278 is uninsured. Cash on the financial statements totals \$195,414 and is made up of the deposits (\$195,364) and petty cash (\$50).

F. Budgets and Budgetary Accounting

The budget for the General Fund was adopted on the cash basis of accounting and was not amended by Board resolution during the year. The approved budget was exceeded in these categories:

	<u>Budget</u>	<u>Actual</u>	<u>Amount Exceeding Budget</u>
Office Supplies	\$ 800	\$ 903	\$ 103
Operating Supplies	2,000	2,352	352
Professional Member Fees	700	1,477	777
Contractual Services	1,168	1,799	631
Insurance	5,000	5,658	658
Workman's Comp	400	714	314
Electric	1,500	1,580	80
Public Utility	300	559	259
Land Contract	<u>4,200</u>	<u>18,054</u>	<u>13,854</u>
	\$ <u>16,068</u>	\$ <u>33,096</u>	\$ <u>17,028</u>

G. Risk Management

The Hartford Public Library is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries. To minimize these risks the Library has entered into a cooperative risk management and insurance program called the Michigan Township Participating Plan. The Plan provides for insurance coverage to be obtained by the Plan to protect all members from loss above stated deductibles. The Library has not incurred any losses which exceeded the insured amounts.

H. Donor Designations

In 2003, the general fund received grants and donations specifically for summer reading programs. All requirements were not completed within the year and the amounts are shown as restricted fund balance. All restricted funds were used in 2004.

I. Land Purchase and Sale

On November 14, 2002, the Library purchased two parcels of vacant land. The 2003 balance due on the land contract was \$17,068 at 8%, payable over five years. The total balance was paid in September 2004, when the Library sold the property to the City of Hartford.

J. Long-Term Debt

The change in general long-term debt is as follows:

Balance, December 31, 2003	\$ 17,068
Repaid during year ended December 31, 2004	(<u>17,068</u>)
Balance, December 31, 2004	\$ <u>- 0 -</u>

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February 17, 2005

Hartford Public Library Board
Hartford, Michigan

In completing the audit for Hartford Library, we would like to make some comments and suggestions to improve the accounting procedures.

Current Year Comments

Credit Card Policy

The Library approved a credit card policy in February, 2004. However, this resolution does not satisfy the requirements of the Local Audit Division Letter 1996-2.

All credit card charges should be supported by documentation, (charge slips).

When observing credit card payments, we found some instances of documentation not available to support amounts paid and balances not paid within 60 days. These indicate inadequate internal control to monitor and oversee credit card use.

The policy and the procedures should be improved.

Budget Amendments

Budget amendments must be approved by the Library Board prior to spending additional money. The Budget is the authorization required by the State of Michigan to legally expend a governmental unit's money. Management can present a proposed amendment that the Board acts on, but management cannot change a budget without Board approval of the document and budgets cannot be amended after the year has ended.

Repeat of Prior Year's Comments

Internal control procedures are a concern due to limited staffing in all small organizations. Segregation of duties are inadequate for effective checks and balances.

The above comments are to improve your accounting procedures and are not intended to reflect upon the performance of any person.

Very truly yours,

Cutting & Cutting, P.C.